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**FISCAL IMPACT STATEMENT**

**LS 6996**

**BILL NUMBER:** SB 512

**NOTE PREPARED:** Mar 29, 2005

**BILL AMENDED:** Mar 24, 2005

**SUBJECT:** Town Government.

**FIRST AUTHOR:** Sen. Drozda

**FIRST SPONSOR:** Rep. Whetstone

**BILL STATUS:** 2<sup>nd</sup> Reading - 2<sup>nd</sup> House

**FUNDS AFFECTED:**     **GENERAL**  
                              **DEDICATED**  
                              **FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** (Amended) This bill has the following provisions:

(A) The bill provides a procedure for changing a town into a city. The bill provides that a town may be changed into a city if the voters of the town approve a public question on changing the town into a city. The bill authorizes the town legislative body to provide by ordinance for the details of the conversion of the town into a city. The bill authorizes a town that began conversion into a city under existing law to complete conversion under the new statute.

(B) The bill permits a town that has begun its conversion into a city to complete the conversion by January 1, 2006, by holding a special election for city officers in 2005.

(C) The bill provides that a town does not have to obtain the consent of a city before annexing territory within three miles of the city if the town annexes territory located in a different county than a city or the annexation is a voluntary annexation or an annexation initiated by a municipality and consented to by at least 51% of the landowners of the annexed territory. The bill provides that if the territory to be annexed consists of not more than 100 parcels, and 80% of the boundary of the annexed territory is contiguous to the municipality, a remonstrance requires the signatures of at least 75% of the landowners in the annexed territory.

(D) The bill allows a municipality in Elkhart County to annex territory that: (1) is not contiguous to the municipality; (2) has its entire area not more than two miles from the municipality's boundary; (3) is to be used for an industrial park containing one or more businesses; and (4) is either owned by the municipality or by a property owner who consents to the annexation.

(E) The bill allows the following to exempt annexed agricultural land from property tax liability until the land is re-zoned under a different classification: (1) A town located in a county that contains a racetrack sanctioned by a nationally chartered and recognized auto racing organization. (2) The town of Pendleton. (3) The town of Lapel. (4) A town located in a township that borders the Muscatatuck River and has a canning factory.

(F) The bill repeals current statutes governing conversion of a town into a city.

**Effective Date:** (Amended) January 1, 2004 (retroactive); upon Passage; July 1, 2005.

**Explanation of State Expenditures:**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** (Revised) (A) *Summary:* Under the bill, the circuit court clerk of a county, in which a town attempted to convert to a city, would have additional administrative responsibilities with regard to placing a public question on a general or municipal election ballot. The clerk would also be required to certify a town resolution that would allow a public question to convert to a city. Before a town resolution could be adopted, petitioners requesting a resolution would have to gain enough signatures that equaled 10% of the total vote cast in the town at the last election for Secretary of State.

Upon adoption of a resolution by the town, the county clerk would be required to give notice, under the requirements of current law, of an election to decide the question. The question could be placed on the ballot of a special election or a general election. If the election were a special election, additional expenditure would be required of either the town or county election board, including payment of precinct election boards and ballot costs. However, there are provisions in current law where the county may by ordinance combine polling places and reduce the number of precinct election board members in order to mitigate additional expense. If the question were placed on a general election ballot, the increase to town expenditure would be the cost to include the printing of the question on the ballot.

(B) A town that has already begun conversion to a city, under the classification of municipalities, cities and towns status code (IC 36-4-1) would be able to complete the conversion under the provisions of the bill. Such a town would be required to adopt an ordinance to provide a transition from town to city government. The ordinance would include a provision for the election of city officers. City officers would be required to be initially elected by special election on November 8, 2005.

(C) Generally, when territory is annexed, services are to be extended to that territory. However, given that some territories considered under this provision are virtually surrounded by an existing municipality, services have likely already been extended.

However, if services are needed, their extension to this new territory would create additional expenditures for the municipality. Generally, annexation of territory into a municipality increases the property tax base of the municipality. The taxpayers of the newly annexed areas usually incur a rate increase in property taxes, while existing taxpayers of the municipality may realize a rate reduction.

*Background:* Expenses to run an election include precinct election board per diem, rental of a facility for polling (if necessary), and/or voting equipment.

Based on a small sample of Indiana counties, per diem for election board members range from \$65 to \$150 for inspectors and from \$40 to \$100 for judges, clerks, and sheriffs.

*U.S. Census on Towns:* According to the 2000 U.S. Census, approximately 88 towns in Indiana had a population greater than 1,999 persons. The bill states that a town under a population of 2,000 would not be eligible to convert to a city under the provisions of the bill. If more towns close to a population of 2,000 were to conduct a special census and establish a population over 1,999 persons, it is possible that those towns could be eligible to convert to a city under the bill's provisions.

**(D)** As stated in (C), when territory is annexed, services are extended to the annexed territory, and the territory is generally added to the property tax rolls of the annexing municipality.

**Explanation of Local Revenues:** (Revised) **(E)** The towns of Lapel and Pendleton in Madison County, and two other towns as specified under the bill, would have the option to annex territory under current law (IC 36-4-3-4.1). The conditions for annexation for the above listed towns under this section of statute include:

- (1) The territory must be contiguous to the annexing municipality, and
- (2) The property owner must consent to the annexation.

If the territory to be annexed were zoned as agricultural, then the territory would be exempt from property taxes. If the land were re-zoned for another classification, then the municipality would be able to add the territory to the property tax rolls. Therefore, unless classified other than agricultural, newly annexed territory would not increase the property tax levies of the above specified towns.

**State Agencies Affected:**

**Local Agencies Affected:** Counties, towns.

**Information Sources:** LOGODABA; LSA sample of counties.

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